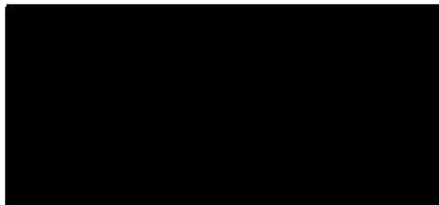


File Ref: 610684

16 September 2013



Dear 

Aurizon Network's draft Capricornia system rules – Submissions on New Matters

The Authority is seeking stakeholder feedback on certain elements of Aurizon Network's draft Capricornia system rules.

On 24 April 2013, the Authority made a draft decision to reject Aurizon Network's draft Capricornia system rules, and sought stakeholder feedback on the decision.

Aurizon Network's submission on the draft decision included a redrafted version of the Capricornia system rules that addressed many aspects of the Authority's draft decision. This redraft included details on issues where the Authority's draft decision identified problems, but left the solution open-ended.

As this redrafting is new, stakeholders have not had a chance to comment on whether it adequately addresses their concerns or the Authority's draft decisions. The Authority is, therefore, seeking stakeholder feedback on any new matter they consider arises as a result of Aurizon Network's redrafting, as set out in its August 2013 submission. As two such matters include the maintenance multiplier and supply chain objectives, the possible issues associated with these two matters are highlighted in **Attachment 1**.

When responding, stakeholders are encouraged to be mindful of the Authority's decision-making criteria for system rules – which are also outlined in **Attachment 1**. The Authority's draft decision, Aurizon Network's submission on the decision, and submissions from other stakeholders, can be found at: <http://www.qca.org.au/rail/2010-DAUamend/PropSysRules/Capricornia.php>.

In making a final decision, the Authority will take into account all responses to this request that are received by **5 pm on Monday 21 October 2013**.

Yours sincerely



Paul Bilyk
Director – Rail and Ports

Attachment 1: New matters in Aurizon Network's Submission on Capricornia System Rules

Maintenance Multiplier (Section 3.4, pp. 12-14)

Aurizon Network's August 2011 proposal sought to provide some flexibility in the scheduling of train paths, so that when maintenance or construction activities prevented an access holder from receiving its train service entitlement during a particular period in a month, those 'lost' paths would be provided at another time in that month when there was sufficient capacity available.

The Authority said in its draft decision that Aurizon Network's proposal for the 'maintenance multiplier' was not clearly explained, and lacked protections for access holders. The Authority required Aurizon Network to amend the maintenance multiplier to, among other things, make it more transparent, and ensure Aurizon Network's ability to change its maintenance schedule was consistent with the network management principles.

The redrafted rules, in Aurizon Network's August 2013 submission, seek to clarify how the maintenance multiplier will be applied and how it will be calculated, by introducing:

- (a) a maintenance reduction factor, which reduces paths on days of maintenance activities; and
- (b) the assumptions for determining adjusted weekly train service entitlements, i.e. the sum of:
 - (i) *upward adjusted paths* (calculated from maintenance multiplier); and
 - (ii) *downward adjusted paths* (calculated from maintenance reduction factor).

The redrafted rules in Aurizon Network's submission also identify constraints that Aurizon Network will have regard to when applying the maintenance multiplier to access holders' weekly train service entitlements.

Is the revised maintenance-multiplier approach sufficiently transparent, and does it have regard to relevant supply chain constraints?

Coal supply chain objectives (Section 4.2, p. 17)

In its August 2011 proposal, Aurizon Network said it would 'endeavour to provide the best recovery solution for the supply chain as a whole' when addressing delays in the day of operation. The Authority's draft decision required Aurizon Network to specify what coal supply objectives would be used in arriving at that solution.

In seeking to address this issue, the redrafted rules have removed references to how Aurizon Network will manage delays in the day of operation. Instead, these rules propose Aurizon Network would use the following principles in preparing the intermediate train plan:

- (a) maximise the system available pathing for the equitable distribution of train service entitlements;
- (b) maximise system throughput; and
- (c) minimise parcel build times, which refers to how long it takes to assemble the coal from various miners at a port ready to load onto a ship.

Is this a reasonable set of supply chain objectives that Aurizon Network should use in preparing the intermediate train plan? Should these objectives extend to Aurizon Network's day-of-operation train-control decisions?

The Authority's Assessment Criteria

The criteria in section 138(2) of the *Queensland Competition Authority Act 1997* (QCA Act) and the 2010 undertaking require the system rules to be, among other things:

- (a) equitable, to promote the efficient operation and use of the rail infrastructure (through non-discriminatory treatment across access holders, seekers and their customers), with the effect of promoting effective competition in the above-rail market (ss. 138(2)(a) and (d) of the QCA Act);
- (b) transparent, to protect the interests of access holders and seekers, and prevent Aurizon Network from abusing its monopoly position or favouring its related-party operator (ss. 138(2)(e) and (h) of the QCA Act);
and
- (c) consistent with the 2010 undertaking's network management principles and terms in the standard access agreements (including the alternative form agreements) (clauses 7.1 and 5.2 of the 2010 undertaking).